

To the Honorable Martin Glen:

I am writing to ensure that, as the creditors' committee is being selected this week, you understand the market dynamics, and social dynamics, behind the “price” of Celsius’ CEL token.

I am recommending to the court that the value of CEL token claims be either entirely zeroed out when selecting people for the creditors' committee and when valuing claims, or that the value of these claims be reduced in value by 90-95%. Alternatively, CEL claims may well be a separate class of claims entirely, and the interests of CEL creditors may be contrary to the interests of other creditors. This is complicated by the fact that many users (including me) own some CEL and have other claims as well, but the interests of someone who has a large CEL claim would be very different.

Before I go on, I want to say that I really do hope that, as a general principle, you will denominate cryptocurrency claims in-kind in each respective cryptocurrency that depositors are owed, rather than converting our claims into dollar amounts on a fixed date.

As an example, let’s say that a Celsius customer has a claim for 1 bitcoin, and depositors are forced to take a 33% haircut in a final settlement. In that case, my hope is that a depositor would receive 67% of a bitcoin as their final settlement, regardless of the market price, at the conclusion of the bankruptcy.

Conversely, a person with a claim for 1 CEL token should receive 67% of a CEL token, in my view, if CEL token claims are treated the same as bitcoin claims. This way, we can all sell (or choose not to sell) our tokens, and deal with liquidity issues, slippage, etc. on our own.

This sort of settlement should be doable by having Celsius arrange their balance sheet to have the correct coins *pro rata*, even if they do not have the assets to have ALL of our coins.

This isn’t just because this is what users signed up for—though it is! (Depositing and withdrawing our coins and withdrawing the same coin *regardless of market price at the time of withdrawal* is what we signed up for!) It’s because if claims are paid out in dollars, it opens the door to massive messiness over the ACTUAL valuation of claims, versus the “sticker price” of claims. One example of that messiness is this letter, but there will be other messiness around other tokens with illiquid markets.

Another concern with marking to market claims in dollars as of the date of bankruptcy filing, or another arbitrary date, is that Celsius management may simply be waiting for crypto prices to go up to pay us back the dollar value of claims at some point in the future (as of the date of bankruptcy). Doing so *would not* make depositors whole! We are owed our crypto coins back, not dollars that represent a snapshot in time.

That said, I do understand that claims must be converted to dollars for some purposes, such as consideration of which claims are larger than others for creditor committee membership, and

what the relative claim sizes are, and measuring the solvency of Celsius. To the extent this must happen, simply multiplying the number of CEL tokens by the price of those tokens does not give a remotely accurate picture of the situation or an accurate value.

In fact, this valuation method allows for *massive manipulation* of the value of claims.

The list of the top 500 CEL tokenholders can be found here [<https://celsius.network/top500>], and the top 22 are attached to this filing as well.

As you can see, each of the top 22 CEL tokenholders, as published on Celsius' website, own more than 1.4 million CEL tokens each, and Alex Mashinsky, known on the list as "the Machine" owns 39.6 million tokens. Krissy Mashinsky, Alex's wife, owns 5.4 million tokens.

There is also evidence that Alex Mashinsky dumped his tokens on users, while he was tweeting to encourage Celsius customers to buy tokens. "While his customers 'HODLed' their CEL tokens, or even used those tokens as collateral for loans, Mr. Mashinsky was quietly offloading millions of CEL," reported Dirty Bubble Media, along with wallet information and other evidence. And, as you already noted, CEL is being investigated by multiple regulators.

When a creditor owns this many CEL tokens, it may appear that they have enough of a claim to be added to the creditors' committee on account of their CEL holdings alone--or have a large claim against the bankruptcy estate if you look at the US dollar market prices of their CEL expressed simply as: the number of tokens multiplied by the price on the bankruptcy date.

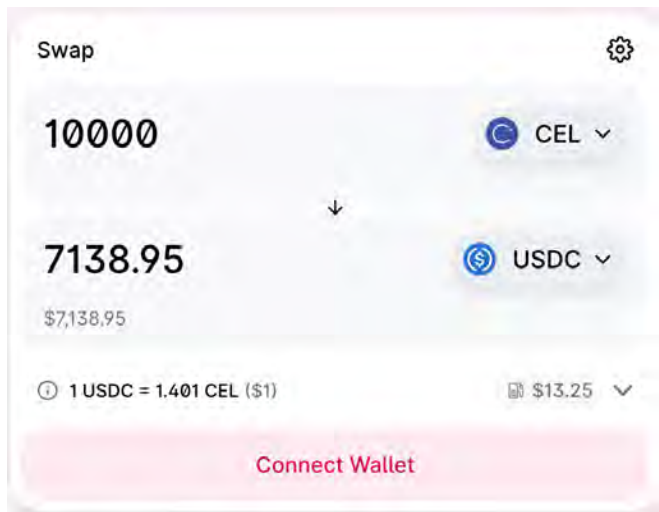
Please don't make that mistake, or allow for that valuation method, to the detriment of creditors who are owed cryptocurrencies with real value on liquid markets.

Because of the liquidity and slippage dynamics of the market, the price of CEL tokens that was written on the balance sheet you received, and the price published on cryptocurrency exchanges, is not useful in determining what these tokens would be worth on the open market, or the value of a CEL token claim versus other claims.

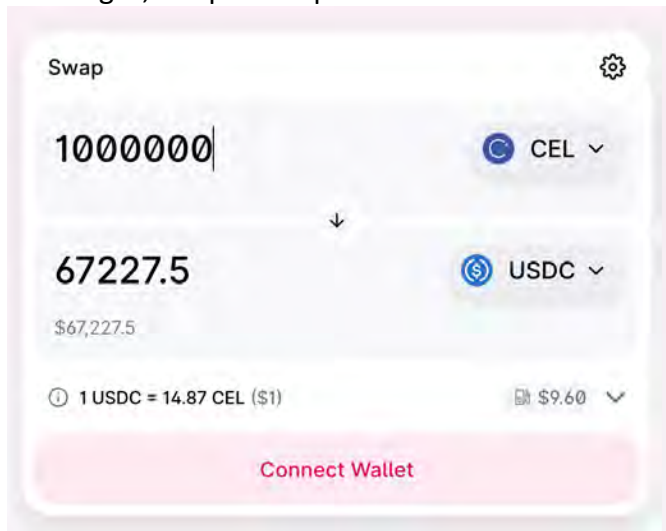
After reviewing market conditions, I believe that the CEL token value should be reduced by 90-95%, when accounting for liquidity, slippage, and the fact that if users' CEL tokens were not locked up right now because of this bankruptcy and withdrawal pause, many or even most would have already been sold into an illiquid market before the bankruptcy.

That is one big reason why it would be better if payments would be made in-kind, in CEL tokens, rather than trying to guess at the dollar value. So that the price realized by the creditor on the open market would reflect a real market, with buyers and sellers.

Just how little liquidity is there for CEL token right now? On Uniswap, a major decentralized exchange, someone could sell 10,000 CEL tokens right now and get \$7,138, or 71 cents per token. See:



But if someone tried to sell 1,000,000 CEL tokens, they would receive just \$67,227.50, or 6.7 cents per CEL token. That's right: Selling 1,000,000 CEL tokens on Uniswap would drop the price on that exchange by more than 90%. (Uniswap is the currently the exchange with the highest liquidity score and lowest slippage for CEL token, according to Coinmarketcap.com. So on other exchanges, the price impact from a sale of 1 million tokens could be even worse.) See:



As a thought experiment, imagine for a moment you ruled today that 100% of creditors' locked CEL token balances should be returned to them immediately.

At first brush, this seems like an amazing deal for those lucky CEL tokenholders compared to the rest of us creditors. In this case, they are being "made whole" in tokens, and wouldn't have to wait in line for a bankruptcy ruling with the rest of the depositors, or accept just a percentage of what they are owed. They'd be completely made whole, right?

But what are those CEL tokens really worth, once they leave the Celsius app? We would find out by watching to the price of the CEL tokens, minutes after they reached users' wallets. At that time, at least some CEL tokenholders would start selling. And, as I have shown above, once tokens are available, rather than locked up by Celsius, it wouldn't take very many sellers, or very long, to crash the price 90%. Even selling just 10,000 CEL reduces the price on Uniswap by around 10% from today's "market" price!

On the other hand, if you ruled that people's bitcoin was to be returned today, it would have almost no impact on the market price of bitcoin (or a positive one, because markets would be relieved this was over.) My the point is: Bitcoin has liquidity, CEL token has almost no liquidity.

Because of these dynamics, claims to liquid coins like Bitcoin and Ethereum should have a far higher weight than the value CEL claims, which are illiquid.

When it comes to CEL claims and CEL balances, as I have shown, a reasonable discount rate could be as high 90-95% of the market price. In other words: A \$1 claim in "CEL" token may only be worth \$0.10 or even \$0.05 if the token were to be sold in the open market, whereas a \$1 bitcoin claim is actually worth 99.5 cents on the dollar, if the bitcoin were sold in the open market.

Some more things to consider:

1. Small-cap cryptocurrencies like CEL are pretty similar to micro-cap or "pink sheet" / OTC stocks. Just like those sorts of stocks, they have extremely low liquidity. Fees and slippage are very high. The price isn't determined by the market price on an exchange, but the price you actually get when you sell.
2. To the best of my knowledge and belief from online conversations I have had on the matter, around 93% of CEL tokens are "locked" right now in the Celsius app. Up until the bankruptcy, Celsius paid interest on CEL to encourage customers to deposit it on the platform and keep the price high, and "bought back" CEL from the market each week. This kept the vast majority of the tokens locked in the app. Now, those customer-owned coins are locked by Celsius, inaccessible because of the withdrawal freeze. So, the CEL token is trading like the tiniest penny stock you could imagine, where one entity (in this case Celsius) controls 93% of the supply of the stock--and only 7% trades on exchanges. Hence: low liquidity, high slippage, and a "price" that doesn't reflect reality.
3. The difference between Bitcoin and Ethereum claims versus CEL token claims—when it comes to liquidity, slippage, and actual value of these claims vs "sticker price" you get from multiplying price by quantity—is night and day.
4. By locking up the vast majority of the CEL token supply due to its withdrawal freeze, and leaving a very tiny float available on exchanges, Celsius "gamed the system" when valuing claims in USD for CEL holders on the date of bankruptcy, leading to a perverse result. On the bankruptcy date, CEL tokens may have had a price that make them appear to be "worth" hundreds of millions of dollars, but, as I have shown, if even a

small percentage of tokens were actually sold, the price would quickly drop 90% or more.

5. In addition to all of this, there is currently a “short squeeze” attempt to pump the price of the CEL token, being organized by some in the Celsius community--under the hashtag #CelShortSqueeze on Twitter. This short squeeze is further impacting the price of CEL and keeping it much higher than it would otherwise be. This short squeeze attempt was ongoing in the leadup to the bankruptcy filing, and on the bankruptcy filing date as well, and is still going on today. This short squeeze is only possible because Celsius has locked up 93% of tokens, customers cannot sell their CEL tokens, and people and entities are shorting (and likely naked shorting it) it, primarily on the FTX exchange, and paying high-interest rates to do so.

To summarize: the CEL token is not liquid. It was undergoing a short squeeze on the date of the bankruptcy filing and it still is. I own a little bit of CEL, like many customers. It is locked in the Celsius app, and I consider it, for these reasons, to be mostly worthless, or worth pennies on the dollar.

















The price for the few tokens that are not locked up by Celsius bears no relation to what the tokens would sell for on the open market if users' funds were not locked and tokens were available to sell and therefore bears no relation to the economic value of the tokens.








I am concerned if the court doesn't consider these dynamics, CEL token claims could be converted to US dollar claims at massively inflated prices, influence who is admitted to the creditors' committee, and lead to bad results in terms of how the Celsius assets are ultimately divided, in a way that is unfair, unrealistic and does not match the reality of the crypto markets or the actual value of claims.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 20, 2022.

**/s/ Immanuel Herrmann**

Immanuel Herrmann

|    |  |                 |               |
|----|--|-----------------|---------------|
| -  |  Celsius  | 334,769,441 CEL | \$269,746,616 |
| 1  |  The Machine  | 39,693,600 CEL  | \$31,983,846  |
| 2  |  The Politician   | 15,736,300 CEL  | \$12,679,812  |
| 3  |  AI   | 9,640,000 CEL   | \$7,767,607   |
| 4  |  User 4   | 7,258,000 CEL   | \$5,848,267   |
| 5  |  The Machine  | 6,210,500 CEL   | \$5,004,224   |
| 6  |  User 6   | 6,202,700 CEL   | \$4,997,939   |
| 7  |  Krissy Mashinsky <a href="https://USAStrong.io">USAStrong.io</a> | 5,378,100 CEL   | \$4,333,503   |
| 8  |  User 8   | 4,353,600 CEL   | \$3,507,993   |
| 9  |  User 9   | 4,184,000 CEL   | \$3,371,335   |
| 10 |  User 10   | 3,932,600 CEL   | \$3,168,765   |
| 11 |  User 11  | 3,472,300 CEL   | \$2,797,869   |
| 12 |  User 12  | 3,306,100 CEL   | \$2,663,951   |
| 13 |  Brian  | 2,853,000 CEL   | \$2,298,857   |
| 14 |  Han Celo   | 2,021,800 CEL   | \$1,629,102   |
| 15 |  User 15  | 1,926,800 CEL   | \$1,552,554   |

|    |   |               |             |
|----|---|---------------|-------------|
| 16 |  User 16 | 1,866,800 CEL | \$1,504,208 |
| 17 |  User 17 | 1,536,300 CEL | \$1,237,902 |
| 18 |  User 18 | 1,505,200 CEL | \$1,212,843 |
| 19 |  User 19 | 1,472,400 CEL | \$1,186,413 |
| 20 |  User 20 | 1,461,400 CEL | \$1,177,550 |
| 21 |  User 21 | 1,442,200 CEL | \$1,162,079 |
| 22 |  User 22 | 1,407,500 CEL | \$1,134,119 |

Source: <https://celsius.network/top500>

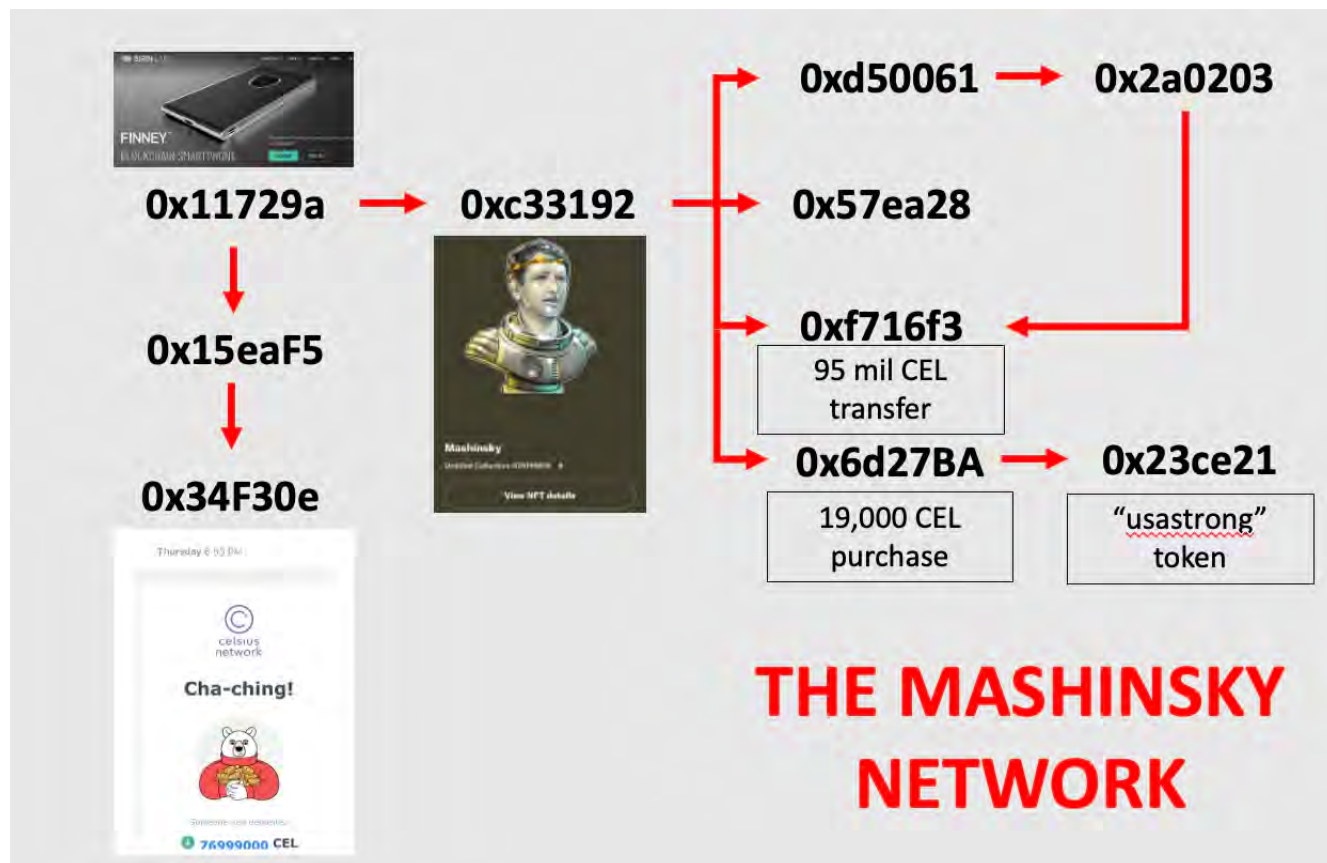
# HODL for Thee, But Not for Me

Documenting the network of wallets Alex Mashinsky used to dump millions of \$CEL tokens, netting over \$40 million in proceeds



Dirty Bubble Media

Jun 29



Ten wallets Alex Mashinsky used to make over \$40 million

*There are no rules in this business. - Alex Mashinsky*

Several months ago, I published a short article examining token sales by the founder and CEO of Celsius Network, Alex Mashinsky. Mr. Mashinsky had allotted himself a vast number of Celsius' proprietary \$CEL token during the creation of the firm. He had also, to the chagrin of the Celsius "community," sold a lot of those tokens. I discovered that out of just one wallet, Mashinsky had sold at least 1.4 million CEL tokens over several months in 2021. I also noted that based on data published by Celsius in their "Top 500



HODLer” list of the largest CEL accounts, it appeared that Alex and his wife Krissy may had sold as many as 20 million CEL tokens.

However, the full extent of his sales has not been revealed... until today.

Due to public revelations by Mr. Mashinsky, we uncovered a network of wallets that appears to be under his direct control. Some of these wallets were involved in the earliest transfers of CEL tokens. One of the wallets, as we have shown previously, was used by Mr. Mashinsky to participate in multiple ICO rugpulls. All told, these wallets have seen nearly 200 million CEL pass through them en route to various destinations. Alex Mashinsky owned at least **77 million CEL tokens in 2019**. At least **19 million were sold** either via the Liquid exchange or through decentralized exchanges (DEXs) like Uniswap. Alex was a major liquidity provider for CEL markets on DEXs using these wallets.

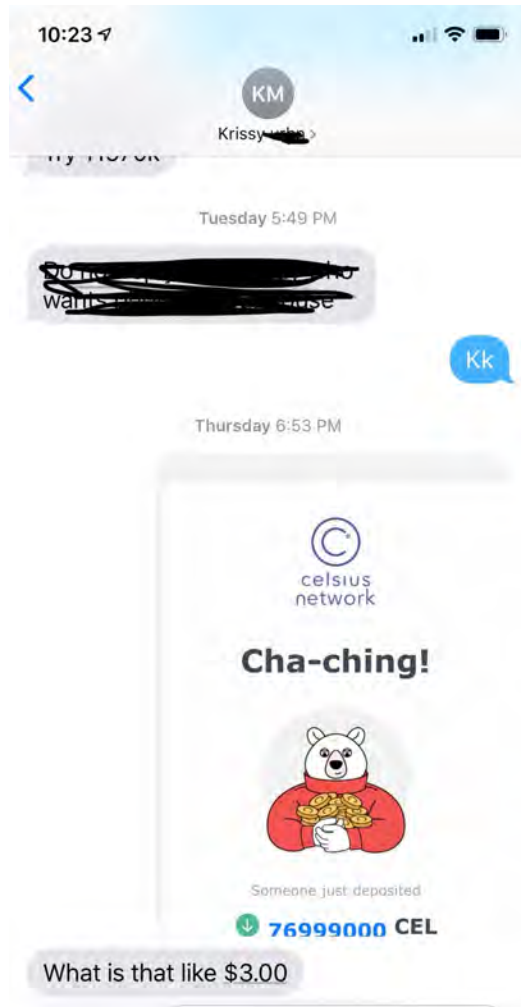
All told, it appears Alex Mashinsky may have netted over \$40 million from selling CEL out of these wallets. These sales do not include possible sales by his wife, Krissy Mashinsky, whose purported CEL ownership decreased from 15 million to 5 million tokens per Celsius’ published data. Additionally, Alex Mashinsky may have sold additional tokens using other wallets not connected to the network we uncovered, perhaps directly to exchanges like FTX.

## It’s Elementary, My Dear Mashinsky

So how did I find this network of Alex Mashinsky’s wallets? It turns out that Mr. Mashinsky himself shared information that definitively links him to six key wallets within the larger network:

### 1. The Giant Deposit Wallet (0x34f30e54): ~\$100,000 in sales

On 8/22/2019, Mr. Mashinsky tweeted that he had made a “small deposit” of 76,999,000 CEL tokens to Celsius Network. This was equivalent to approximately 11% of CEL token total market cap:



It turns out that only one wallet, **0x34f30e5**, made a deposit of this size to Celsius on that date. In turn, **0x34f30e5** had been initially funded by wallet **0x15eaF5c** and had received 70,000,000 CEL from this same address. Going upstream one step further, and **0x15eaF5c** was initially funded by **0x11729acC**, a wallet which we had previously identified as controlled by Mr. Mashinsky.

Wallet **0x34f30e5** also made a transfer of **1 million CEL tokens** to the Liquid exchange, which at the time hosted the largest market for CEL tokens. These would have been worth approximately **\$100,000 at the time of transfer**.

## 2. The Rugpull Wallet (**0x11729acC**): \$1 million sales

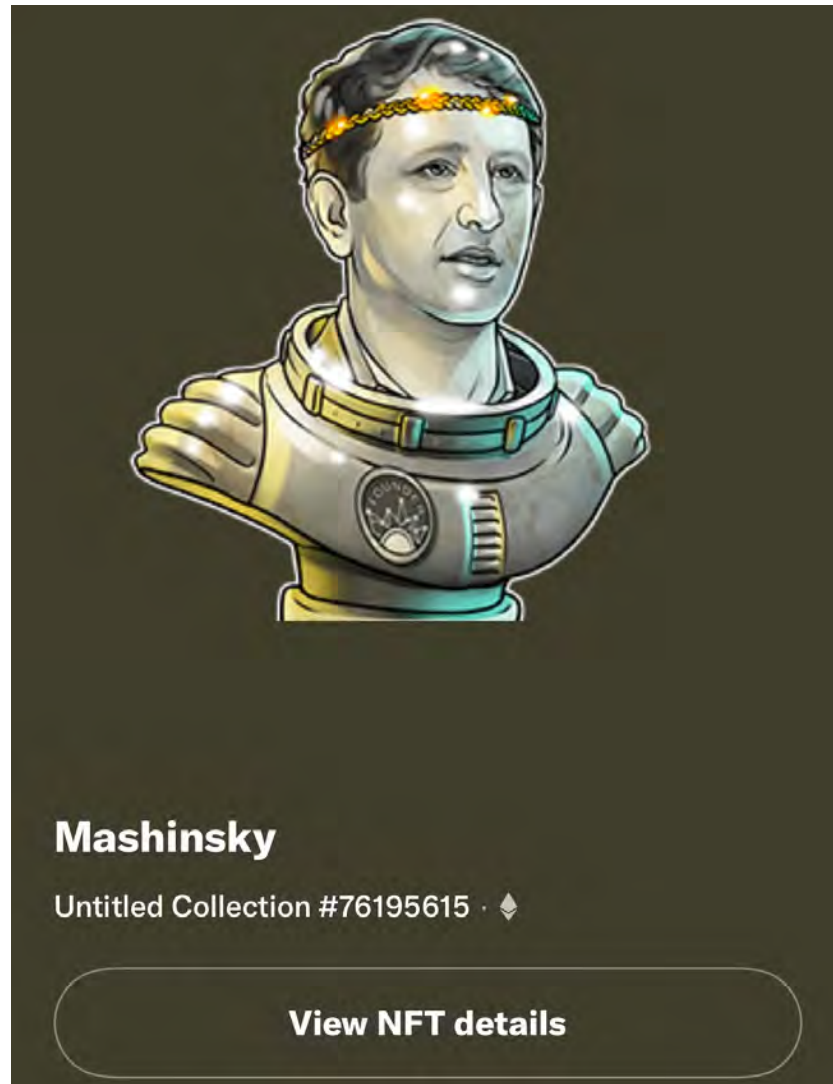
We previously identified **0x11729acC** as a probable Mashinsky wallet due to multiple factors. First, it had processed a transfer of 80 million \$CEL tokens on 05/22/2018. Second, this wallet had provided the initial funding for a known Mashinsky wallet (**0xc33192B**, “NFT Wallet”) and had sent over 4.8 million \$CEL

tokens to this address. Finally, the Rugpull Wallet participated in three scam initial coin offerings (ICO's) which Mr. Mashinsky has publicly disclosed his role in: Sirin Labs, MicroMoney, and Tie Network.

In addition to sending millions of CEL tokens downstream to other wallets, **0x11729acC** also transferred 6.3 million CEL tokens to the Liquid exchange. Based on their value on date of transfer, those tokens were worth approximately **\$1 million**.

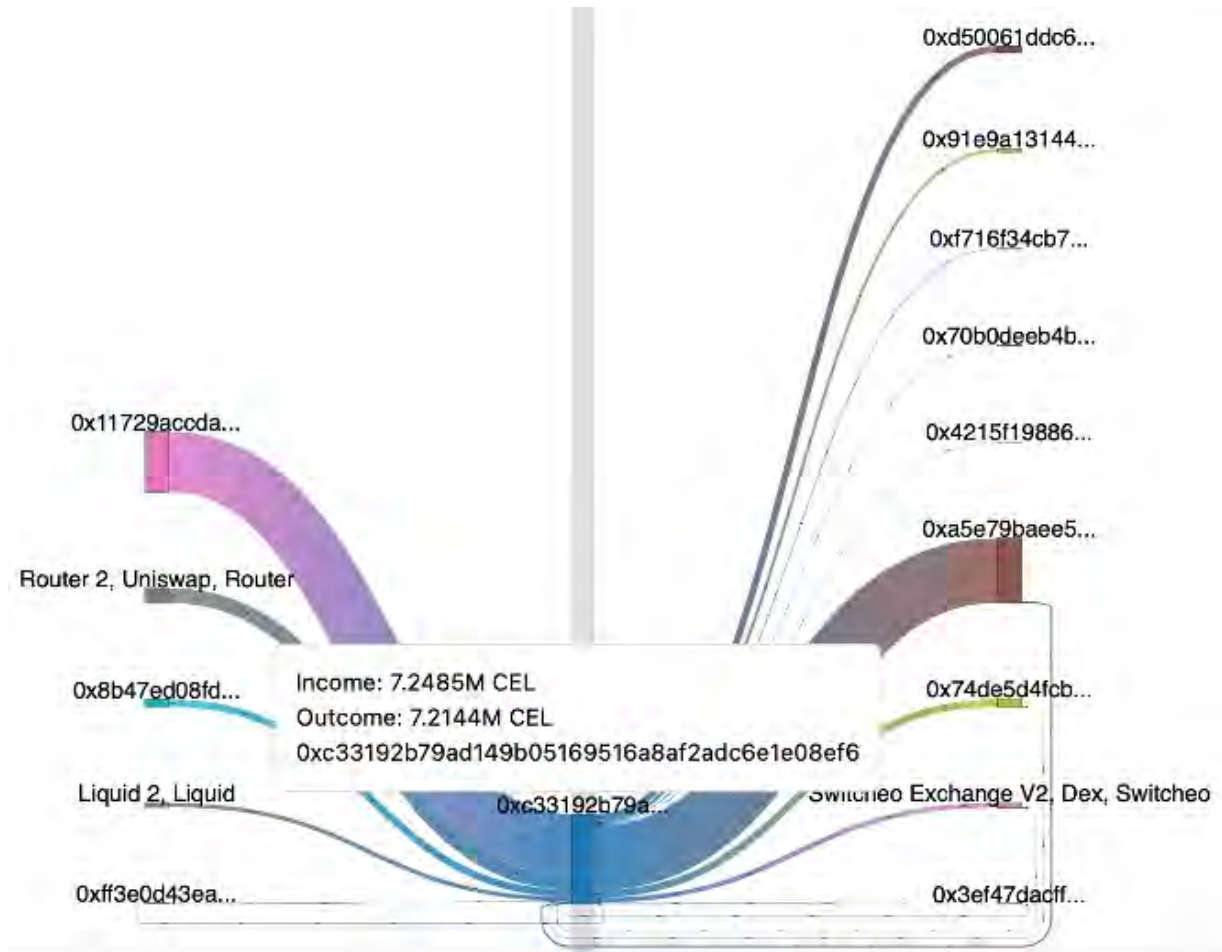
**3. The Mashinsky NFT Wallet (0xc33192B): ~\$12 million sales**

Previously, we had identified this wallet as a likely Mashinsky wallet due to its connections to other known wallets. However, this wallet was confirmed by Mr. Mashinsky: **0xc33192B** holds the "Mashinsky NFT," currently serving as Mr. Mashinsky's Twitter profile picture:



Lol, lmao

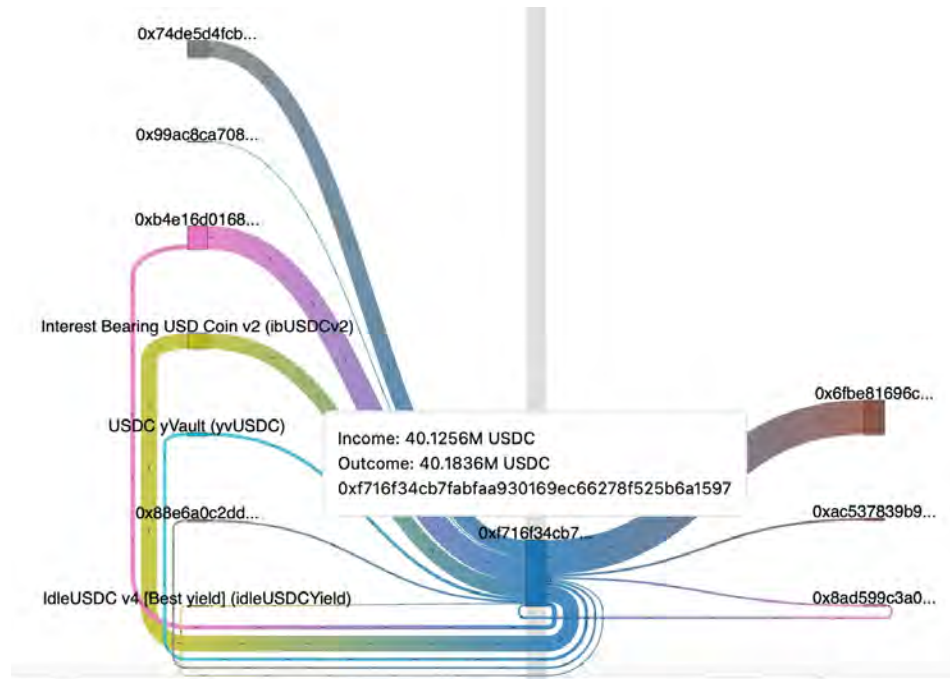
For anyone unfamiliar with how this works, to link an NFT as your Twitter profile picture, you must be in control of the wallet that holds the NFT. Thus, we can be certain that **0xc33192b** belongs to Mr. Mashinsky! Incidentally, it turns out that **0xc33192b** also sold over **6 million CEL tokens via decentralized exchanges (DEXs)**, netting proceeds of approximately **\$12 million USDC**:



#### 4. The Whale Liquidity Provider Wallet (0xf716F34): \$21 million in sales

This wallet had **95 million CEL tokens** pass through it in May 2018, then was dormant until September of 2020. It then received a small transfer of Ether from **0x33c192b** to cover transaction fees. Subsequently, **0xf716F34** received 78,000 CEL from **0xc33192b**, one million CEL from Celsius core wallet 0x90e5e0a, one million CEL from Celsius Wallet 6, and one million CEL from FTX. It also received 1,300 Ether from **0x2a0203** (see below).

**0xf716F34** swapped out at least 2.4 million CEL tokens, netting some \$21 million in proceeds from DEXs. This address was also a major liquidity provider for CEL token, depositing and withdrawing large quantities of both CEL and Ether to the Uniswap CEL token market.



5. The 19,000 CEL wallet (0x6d27BA): ~\$8 million in sales

This wallet was previously identified as Mr. Mashinsky's due to another Twitter post by the CEO:

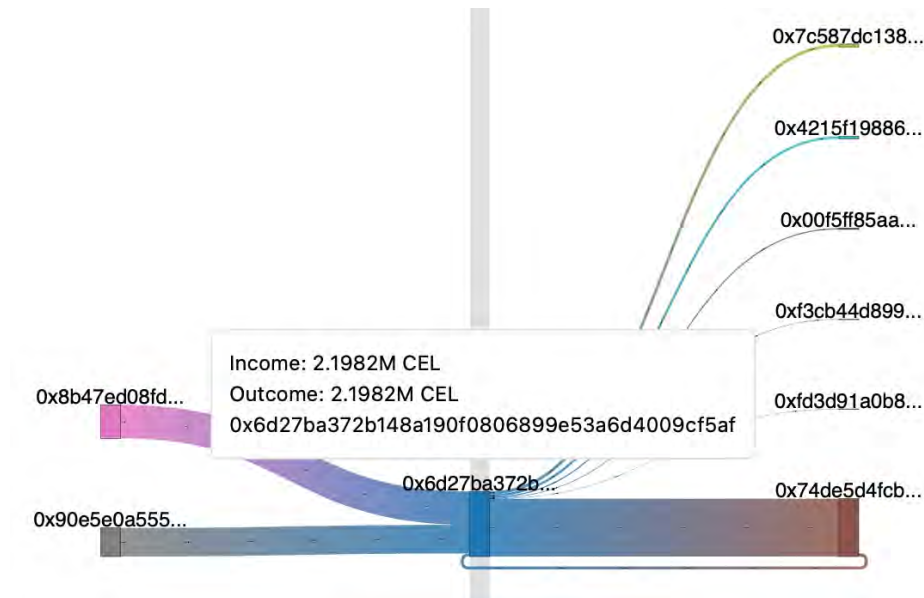


oops..

As noted in a previous article, this tweet led to the discovery of wallet **0x6d27BA** as a likely Mashinsky-controlled address. Also, this wallet was initially funded by **0x33c192b**. This wallet pulled over 2 million CEL from Celsius Wallet 6 and a second Celsius-controlled wallet, selling nearly all of the tokens via DEXs. The address netted over **\$8 million in USDC** and Ether from these transactions.

Addendum: After initially publishing this article, an astute reader noted that this wallet received a transfer of 966,000 CEL from a core Celsius wallet on October

7, 2021. Five days later, Celsius announced their major funding round had completed with Westcap and the CDPQ...

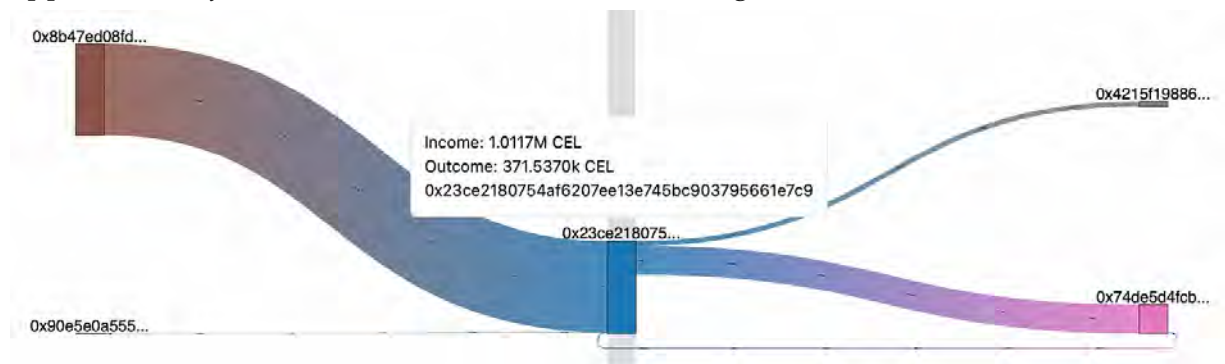


6.

#### 1. The USAstrong Wallet (0x23cE21): \$300,000 in sales

Possibly the last wallet used by Mr. Mashinsky to sell CEL tokens, 0x23cE21 received its first transfer of Ether from 0x6d27BA. Additionally, it is one of only four addresses that hold the “USAstrong” token, apparently a defunct component of Krissy Mashinsky’s USAstrong.io company (Alex’s wife).

This wallet received one million CEL from Celsius Wallet 6, selling approximately 370,000 CEL via DEXs and netting ~\$300,000 USDC:



## Other Wallets in the Mashinsky Network



In addition to the above wallets with undeniable and direct links to Mr. Mashinsky, there are several others connected within this network via multiple transactions:

1. **0xd50061**: \$2 million in sales

- Initially funded by **0xc33129**
- Received 100,000 CEL from **0x11729**; 550,000 from **0xc33129**
- Removed 349,000 CEL liquidity from Uniswap
- Swapped 1.03 mil CEL, received ~\$2 mil USDC

2. **0x2a0203**: At least \$530,000 in sales

- Funded by **0xd50061**
- Received CEL from **0xf716F34cb**
- Sent ether to **0xf716f34cb**
- Swapped 550,000 CEL
- Net 530,000 USDC, 1,300 Ether from swaps



## Conclusions

From these findings, I estimate that Alex Mashinsky netted at least **\$40 million** by **selling CEL tokens** over the course of his tenure as Celsius Network CEO. These sales were not publicly disclosed in any kind of detail; indeed, it seems that Mr. Mashinsky's few public statements regarding his CEL token transactions were deliberately vague and designed to imply he had only sold a small quantity of tokens. At the same time he made these sales, Mr. Mashinsky was privy to material nonpublic information about CEL token, including Celsius' planned purchases of those tokens on the market. One has to wonder what the SEC's attitude towards these transactions will be!

While his customers "HODLed" their CEL tokens, or even used those tokens as collateral for loans, Mr. Mashinsky was quietly offloading millions of CEL. He



continued selling well into the last days before Celsius Network “paused” withdrawals, with his last known sale (out of the “USAstrong” wallet) on May 25th of 2022.

The above list of wallets may not be a complete picture of Mr. Mashinsky’s CEL transactions. It is possible that additional purchases or sales were made via direct transfers from Celsius Network wallets to FTX or other centralized exchanges. In any case, it seems clear that he made millions from slowly selling these tokens, far more than he would have by “rugpulling” early in the project. It was a long con, a profitable ploy, but I expect these sales may come back to haunt him in the future...



Note: All flow diagrams were generated using the excellent tools at [explorer.bitquery.io](https://explorer.bitquery.io/)!

## 6 Comments



Write a comment...



**Cam** Jun 29 ❤️ Liked by Dirty Bubble Media

Wonderful job exposing the Mashinsky machinations

wonderful job exposing the machinsky machinations.

♡ 4 Reply Collapse



**John** Writes Disparaging the Boot Jun 29 ❤️ Liked by Dirty Bubble Media

This is the level of detail and analysis crypto should be getting in the mainstream press.  
Thank you!

♡ 3 Reply Collapse

4 more comments...

---

© 2022 Dirty Bubble Media · [Privacy](#) · [Terms](#) · [Collection notice](#)  
[Substack](#) is the home for great writing